

SONOMA COUNTY ECONOMIC FORECAST

Sonoma County is the northernmost county in the San Francisco Bay Area. Although not as famous as its neighbor to the east, Sonoma County actually produces more wine grapes than Napa County. The county thrived in the late 1990s when technology was booming, but since the dotcom bust of 2000 economic growth in the county has been slow to recover, only recently turning positive. Sonoma County has a population of almost 480,000 people and more than 192,000 wage and salary jobs. The per capita income in Sonoma County is \$39,275, and the average salary per worker is \$45,101. Median family income in 2006 is \$75,100.

Although not nearly as robust as Southern California, employment growth in Northern California was strong in 2005, compared to the previous four years. Employment in the greater Bay Area increased by 0.8 percent last year. In 2005, 1,400 jobs were created in Sonoma County, representing a tepid growth rate of 0.7 percent. The non-farm growth rate was 0.9 percent. The unemployment rate rose slightly to 5.2 percent in 2005.

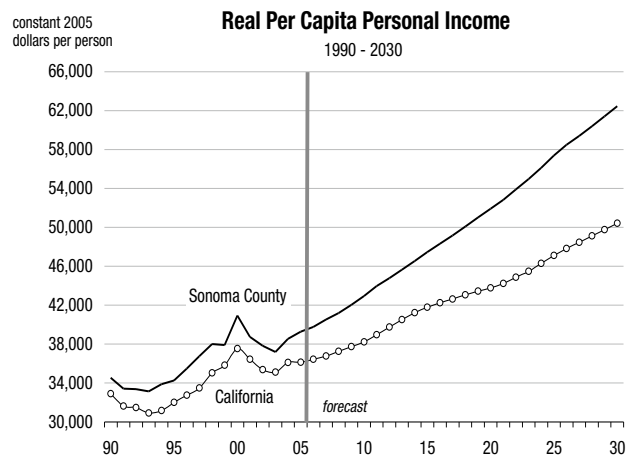
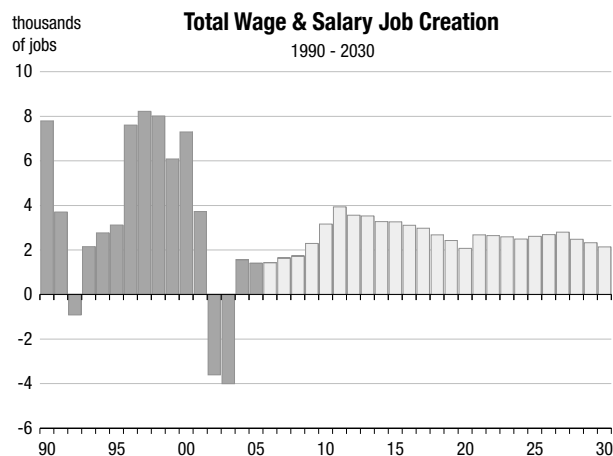
Professional services, construction, wholesale trade and government created new employment opportunities in 2005. These three sectors contributed over 2,800 jobs. Employment in manufacturing continued to decline, shrinking by more than 500 jobs. Manufacturing employment peaked in 2001 with 30,400 jobs, but since then has declined by more than 6,500 jobs.

The population continues to grow in Sonoma County, but the growth rate is very modest at 0.5 percent. The fastest growing cities in the county last year were Windsor and Cloverdale, growing 2.3 and 2.7 percent respectively.

Employment growth will remain modest in Sonoma County through 2008. In 2009, the county will return to healthier levels of job creation, but population growth is forecast to remain slow.

FORECAST HIGHLIGHTS

- Employment will rise at the rate of 0.8 percent in 2006. Over the next five years, the annual growth rate is expected to increase to an average of 1.0 percent per year.
- Real per capita incomes increase at a rate of 1.2 percent in 2006. Over the next five years real per capita incomes are forecast to increase 1.8 percent per year.
- Total taxable sales, adjusted for inflation, are forecast to increase at a rate of 4.7 percent in 2006. Over the next five years real taxable sales are also forecast to increase 4.7 percent per year.
- Industrial production is forecast to increase 0.7 percent in 2006. Over the next five years the growth rate of industrial production will average 1.5 percent per year.

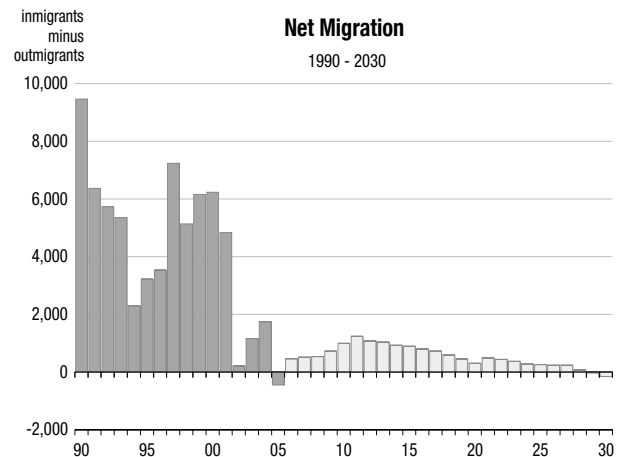
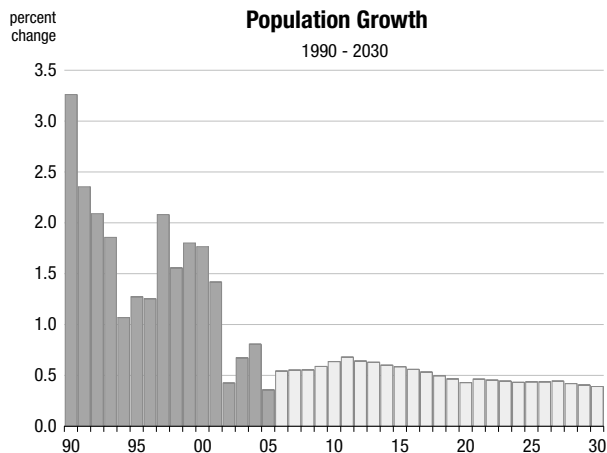


- Average salaries adjusted for inflation are currently below the California average, but are increasing at a faster rate than the state average. Real average salaries are forecast to rise an average of 1.4 percent per year over the next 5 years.
- The momentum for employment growth is in professional services, trade, leisure services, education and healthcare services, and government. These sectors account for almost all of the job growth in the county during the forecast period.
- The population will continue to grow at a rate of 0.5 percent in 2006. Annual growth in the 2006 to 2010 period is forecast to be 0.6 percent.
- Net migration is expected to increase to nearly 500 people in 2006. Over the next five years net migration is expected to average 650 migrants each year.

Sonoma County Economic Forecast

1997-2005 History, 2006-2030 Forecast

| | Population (people) | Net Migration (people) | Registered Vehicles (thousands) | Households (thousands) | New Homes Permitted (homes) | Total Taxable Sales (billions) | Personal Income (billions) | Real Per Capita Income (dollars) | Inflation Rate (% change in CPI) | Real Farm Crop Value (millions) | Real Industrial Production (billions) | Unemploy- ment Rate (percent) |
|------|------------------------|------------------------------|---------------------------------------|---------------------------|-----------------------------------|--------------------------------------|----------------------------------|--|--|---------------------------------------|---|-------------------------------------|
| 1997 | 438,615 | 7,244 | 389.8 | 163.8 | 2,121 | \$5.0 | \$12.7 | \$36,749 | 3.4 | 641.5 | 2.7 | 3.8 |
| 1998 | 445,444 | 5,140 | 417.3 | 165.3 | 2,964 | \$5.4 | \$13.8 | \$38,001 | 3.2 | 555.9 | 3.1 | 3.3 |
| 1999 | 453,470 | 6,162 | 431.3 | 167.2 | 3,052 | \$6.0 | \$14.6 | \$37,901 | 4.2 | 568.1 | 3.4 | 2.7 |
| 2000 | 461,483 | 6,240 | 453.6 | 172.4 | 2,555 | \$6.8 | \$16.8 | \$40,930 | 4.5 | 665.5 | 3.9 | 2.7 |
| 2001 | 468,031 | 4,838 | 467.6 | 174.2 | 2,579 | \$6.8 | \$17.0 | \$38,732 | 5.4 | 624.0 | 3.4 | 3.7 |
| 2002 | 470,025 | 211 | 474.8 | 176.1 | 1,835 | \$6.7 | \$16.9 | \$37,834 | 1.6 | 593.6 | 3.3 | 5.1 |
| 2003 | 473,190 | 1,164 | 466.4 | 178.1 | 2,339 | \$6.8 | \$17.0 | \$37,173 | 1.8 | 528.0 | 3.4 | 5.5 |
| 2004 | 477,015 | 1,743 | 489.8 | 179.6 | 1,941 | \$7.2 | \$18.0 | \$38,527 | 1.2 | 536.8 | 3.5 | 4.9 |
| 2005 | 478,724 | -444 | 499.5 | 180.9 | 2,894 | \$7.6 | \$18.8 | \$39,275 | 2.0 | 539.1 | 3.5 | 5.2 |
| 2006 | 481,326 | 460 | 506.5 | 183.5 | 2,444 | \$8.0 | \$19.6 | \$39,752 | 2.7 | 519.8 | 3.6 | 5.1 |
| 2007 | 483,993 | 519 | 512.1 | 185.8 | 2,328 | \$8.3 | \$20.6 | \$40,512 | 2.1 | 507.0 | 3.6 | 5.1 |
| 2008 | 486,683 | 541 | 517.2 | 187.9 | 2,338 | \$8.7 | \$21.5 | \$41,181 | 2.3 | 498.8 | 3.7 | 5.0 |
| 2009 | 489,552 | 725 | 522.1 | 190.1 | 2,401 | \$9.1 | \$22.6 | \$42,021 | 2.2 | 494.3 | 3.7 | 4.9 |
| 2010 | 492,679 | 996 | 526.9 | 192.4 | 2,462 | \$9.6 | \$23.8 | \$42,953 | 2.4 | 491.1 | 3.8 | 4.7 |
| 2011 | 496,035 | 1,240 | 531.4 | 194.7 | 2,509 | \$10.1 | \$25.1 | \$43,958 | 2.3 | 489.4 | 3.9 | 4.6 |
| 2012 | 499,221 | 1,079 | 535.4 | 197.0 | 2,473 | \$10.6 | \$26.2 | \$44,789 | 2.1 | 488.7 | 4.1 | 4.6 |
| 2013 | 502,364 | 1,039 | 539.2 | 199.3 | 2,487 | \$11.2 | \$27.5 | \$45,653 | 2.2 | 488.5 | 4.2 | 4.6 |
| 2014 | 505,391 | 929 | 542.6 | 201.7 | 2,470 | \$11.8 | \$28.8 | \$46,535 | 2.2 | 488.3 | 4.4 | 4.7 |
| 2015 | 508,361 | 896 | 545.7 | 204.0 | 2,457 | \$12.4 | \$30.3 | \$47,445 | 2.4 | 488.1 | 4.5 | 4.7 |
| 2016 | 511,207 | 805 | 548.5 | 206.3 | 2,414 | \$13.0 | \$31.8 | \$48,323 | 2.5 | 487.6 | 4.7 | 4.8 |
| 2017 | 513,941 | 728 | 550.9 | 208.5 | 2,360 | \$13.6 | \$33.3 | \$49,156 | 2.6 | 486.8 | 4.8 | 4.9 |
| 2018 | 516,507 | 589 | 553.1 | 210.7 | 2,275 | \$14.2 | \$34.9 | \$50,079 | 2.4 | 485.1 | 5.0 | 5.0 |
| 2019 | 518,920 | 456 | 555.0 | 212.9 | 2,174 | \$14.9 | \$36.6 | \$51,023 | 2.4 | 483.2 | 5.1 | 5.0 |
| 2020 | 521,163 | 301 | 556.8 | 214.9 | 2,053 | \$15.5 | \$38.3 | \$51,902 | 2.3 | 482.0 | 5.2 | 5.1 |
| 2021 | 523,586 | 488 | 558.1 | 216.8 | 2,042 | \$16.2 | \$40.1 | \$52,837 | 2.3 | 481.2 | 5.3 | 5.0 |
| 2022 | 525,966 | 438 | 559.1 | 218.7 | 2,015 | \$17.0 | \$42.0 | \$53,886 | 2.4 | 481.0 | 5.3 | 5.0 |
| 2023 | 528,310 | 373 | 559.9 | 220.6 | 1,984 | \$17.8 | \$44.1 | \$54,956 | 2.3 | 481.1 | 5.3 | 5.0 |
| 2024 | 530,605 | 280 | 560.6 | 222.5 | 1,949 | \$18.6 | \$46.2 | \$56,125 | 2.2 | 481.4 | 5.2 | 5.0 |
| 2025 | 532,930 | 265 | 561.1 | 224.3 | 1,939 | \$19.6 | \$48.5 | \$57,378 | 2.2 | 481.8 | 5.1 | 5.0 |
| 2026 | 535,271 | 237 | 561.6 | 226.1 | 1,938 | \$20.5 | \$50.7 | \$58,477 | 2.3 | 482.3 | 5.0 | 5.0 |
| 2027 | 537,655 | 239 | 562.1 | 227.9 | 1,946 | \$21.5 | \$53.0 | \$59,403 | 2.3 | 482.8 | 5.0 | 4.9 |
| 2028 | 539,918 | 75 | 562.5 | 229.7 | 1,915 | \$22.5 | \$55.4 | \$60,389 | 2.5 | 483.3 | 5.1 | 5.0 |
| 2029 | 542,120 | -32 | 562.9 | 231.5 | 1,888 | \$23.6 | \$58.0 | \$61,410 | 2.5 | 483.9 | 5.1 | 5.0 |
| 2030 | 544,254 | -151 | 563.3 | 233.3 | 1,858 | \$24.7 | \$60.7 | \$62,453 | 2.5 | 484.4 | 5.1 | 5.0 |



Sonoma County Employment Forecast

1997-2005 History, 2006-2030 Forecast

| | Total Wage & Salary | Farm | Construction | Manufac- turing | Transportation & Utilities | Wholesale & Retail Trade | Financial Activities | Professional Services | Information | Health & Education | Leisure | Government |
|--|------------------------|------|--------------|--------------------|-------------------------------|-----------------------------|-------------------------|--------------------------|-------------|-----------------------|---------|------------|
| -----employment (thousands of jobs)----- | | | | | | | | | | | | |
| 1997 | 171.6 | 6.18 | 9.4 | 25.9 | 4.3 | 28.0 | 9.0 | 17.6 | 3.1 | 19.9 | 16.6 | 25.2 |
| 1998 | 179.6 | 6.54 | 10.1 | 28.3 | 4.2 | 28.8 | 9.4 | 18.8 | 3.4 | 20.7 | 17.1 | 25.6 |
| 1999 | 185.7 | 6.41 | 11.9 | 29.2 | 4.1 | 29.1 | 10.0 | 19.5 | 3.6 | 21.1 | 17.5 | 26.6 |
| 2000 | 193.0 | 6.89 | 13.1 | 30.2 | 4.1 | 29.5 | 10.2 | 20.6 | 4.1 | 22.0 | 17.9 | 27.6 |
| 2001 | 196.7 | 6.95 | 13.7 | 30.4 | 4.0 | 30.1 | 10.4 | 20.0 | 4.5 | 22.9 | 18.7 | 28.0 |
| 2002 | 193.1 | 6.54 | 13.3 | 27.3 | 4.1 | 30.0 | 10.3 | 19.0 | 4.2 | 23.3 | 19.7 | 28.4 |
| 2003 | 189.1 | 5.87 | 13.0 | 25.3 | 3.8 | 30.0 | 10.3 | 19.0 | 4.0 | 22.7 | 19.9 | 28.5 |
| 2004 | 190.7 | 5.73 | 13.7 | 24.2 | 3.9 | 30.3 | 10.0 | 19.6 | 4.3 | 22.5 | 20.2 | 29.7 |
| 2005 | 192.1 | 5.56 | 14.3 | 23.7 | 3.7 | 31.0 | 9.7 | 20.4 | 3.8 | 22.6 | 20.5 | 30.4 |
| 2006 | 193.5 | 5.54 | 14.3 | 23.1 | 3.6 | 31.4 | 9.7 | 20.4 | 3.9 | 23.3 | 21.0 | 30.8 |
| 2007 | 195.1 | 5.54 | 14.0 | 22.9 | 3.5 | 31.9 | 9.8 | 20.7 | 4.0 | 23.9 | 21.3 | 31.3 |
| 2008 | 196.9 | 5.53 | 13.7 | 22.8 | 3.5 | 32.2 | 9.7 | 21.0 | 4.1 | 24.3 | 21.7 | 31.8 |
| 2009 | 199.2 | 5.54 | 13.5 | 22.9 | 3.4 | 32.6 | 9.6 | 21.6 | 4.2 | 24.8 | 22.0 | 32.4 |
| 2010 | 202.3 | 5.56 | 13.4 | 23.0 | 3.4 | 33.1 | 9.8 | 22.5 | 4.4 | 25.3 | 22.3 | 33.0 |
| 2011 | 206.3 | 5.56 | 13.4 | 23.2 | 3.4 | 33.6 | 9.9 | 23.4 | 4.6 | 26.3 | 22.6 | 33.7 |
| 2012 | 209.9 | 5.57 | 13.5 | 23.1 | 3.4 | 34.0 | 9.8 | 24.4 | 4.7 | 27.7 | 22.9 | 34.4 |
| 2013 | 213.4 | 5.59 | 13.6 | 22.9 | 3.4 | 34.4 | 9.7 | 25.1 | 4.8 | 29.0 | 23.1 | 35.1 |
| 2014 | 216.7 | 5.59 | 13.7 | 22.9 | 3.4 | 34.8 | 9.6 | 25.8 | 5.0 | 30.3 | 23.4 | 35.8 |
| 2015 | 219.9 | 5.61 | 13.8 | 23.0 | 3.4 | 35.1 | 9.6 | 26.3 | 5.1 | 31.6 | 23.7 | 36.5 |
| 2016 | 223.0 | 5.62 | 13.8 | 23.1 | 3.4 | 35.4 | 9.6 | 26.6 | 5.1 | 32.8 | 24.0 | 37.2 |
| 2017 | 226.0 | 5.61 | 13.7 | 23.2 | 3.4 | 35.7 | 9.5 | 26.9 | 5.2 | 34.0 | 24.3 | 37.9 |
| 2018 | 228.7 | 5.62 | 13.6 | 23.2 | 3.4 | 36.1 | 9.6 | 27.2 | 5.3 | 35.2 | 24.5 | 38.6 |
| 2019 | 231.1 | 5.63 | 13.5 | 23.1 | 3.4 | 36.4 | 9.6 | 27.5 | 5.4 | 36.2 | 24.7 | 39.3 |
| 2020 | 233.2 | 5.63 | 13.3 | 22.9 | 3.4 | 36.7 | 9.6 | 27.8 | 5.5 | 37.3 | 24.7 | 40.0 |
| 2021 | 235.9 | 5.63 | 13.1 | 23.0 | 3.4 | 37.0 | 9.5 | 28.1 | 5.6 | 38.6 | 24.8 | 40.7 |
| 2022 | 238.5 | 5.64 | 13.0 | 23.0 | 3.4 | 37.3 | 9.5 | 28.4 | 5.6 | 39.9 | 25.0 | 41.4 |
| 2023 | 241.1 | 5.63 | 13.0 | 22.8 | 3.4 | 37.6 | 9.6 | 28.7 | 5.7 | 41.2 | 25.1 | 42.2 |
| 2024 | 243.6 | 5.65 | 13.0 | 22.7 | 3.4 | 37.9 | 9.6 | 28.9 | 5.8 | 42.3 | 25.1 | 42.9 |
| 2025 | 246.3 | 5.66 | 13.0 | 22.5 | 3.4 | 38.2 | 9.7 | 29.2 | 5.9 | 43.4 | 25.2 | 43.7 |
| 2026 | 248.9 | 5.66 | 13.1 | 22.4 | 3.4 | 38.5 | 9.8 | 29.4 | 6.0 | 44.5 | 25.4 | 44.5 |
| 2027 | 251.7 | 5.67 | 13.2 | 22.5 | 3.4 | 38.8 | 9.8 | 29.7 | 6.1 | 45.4 | 25.5 | 45.2 |
| 2028 | 254.2 | 5.67 | 13.2 | 22.4 | 3.4 | 39.1 | 9.8 | 30.0 | 6.2 | 46.3 | 25.7 | 46.1 |
| 2029 | 256.6 | 5.68 | 13.2 | 22.3 | 3.4 | 39.5 | 9.8 | 30.2 | 6.4 | 47.0 | 25.9 | 46.9 |
| 2030 | 258.7 | 5.68 | 13.2 | 22.1 | 3.4 | 39.8 | 9.7 | 30.4 | 6.5 | 47.7 | 26.1 | 47.7 |

